



# **CURRENCY**

## **Committee on Financial Services**

**Michael G. Oxley, Chairman**

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### **Analyzing the Analysts II: Sources of Analyst Conflicts To Be Questioned in Baker Subcommittee**

The House Financial Services Capital Markets Subcommittee, chaired by Rep. Richard H. Baker (LA), will hold its second in a series of hearings to examine conflicts in Wall Street research practices at 2 p.m. July 31 in room 2128 of the Rayburn Building. The panel's goal is to ensure that average investors are receiving the most accurate and objective information possible.

"For the sake of insuring that the growing number of \$200 investors receives the same care as the \$200,000 investor, we are proceeding on the careful task of finding an appropriate remedy to the problem of biased and unclear investment research. However, before this process moves toward receiving additional formal proposals next month, it's essential that we understand the full scope of the problem. This problem didn't begin with the analysts, and its harmful implications don't end with them, either," Baker said.

"These hearings, I hope, also serve a public-education purpose. As always, investors need to do their homework and understand the risks involved. But it's one thing if individual investors know the facts but lose. It's another thing entirely if they are unaware that the 'facts' they've been given have been compromised by investment-banking-related or any other conflicts of interest. They need to be shown the whole picture if they are to make informed decisions," Baker added.

On Tuesday, the Subcommittee will broaden its inquiry to other integral players in the Street's research machine—investment bankers, institutional investors, and business journalists. The hearings will build on conclusions reached in the first hearing in June, that significant conflicts in the industry may often compromise the accuracy of investor information.

"There is substantial evidence that the conflicts of interest faced by Wall Street analysts produce biased research that harms Main Street investors," said House Financial Services Committee Chairman Michael G. Oxley. "Investors deciding where to put their money deserve straight talk from analysts."

Even the trade association for analysts acknowledged the conflicts, and the Securities Industry Association announced new best practices guidelines. Several investment firms have announced new policies since the first congressional hearing.

Witnesses scheduled to testify are:

**Panel I**

- Laura Unger, Acting Chairman, Securities and Exchange Commission

**Panel II**

- Ron Glantz, former Managing Director, Tiger Management and former Director of Research and Chief Investment Officer, Paine Webber
- Matt Winkler, Editor-in-Chief, Bloomberg News
- Charles L. Hill, Director of Research, Thomson Financial/First Call
- Kei Kianpoor, Chief Executive Officer, Investars.com
- Adam Lashinsky, Silicon Valley Columnist, TheStreet.com

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